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Central Intelligence Agency



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DIRECTORATE OF INTELLIGENCE

16 February 1983

MALDIVES: SMALL BUT STRATEGIC REAL ESTATE

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There are no major areas of contention between the US and the Maldives. The visit of Foreign Minister Jameel to the US appears to be part of an advertising campaign by Maldivian officials to gain higher visibility for their country's needs and interests. The most likely topic of conversation will be the Maldives' need for developmental assistance and trade. More specifically, the Maldivian diplomats will probably touch on the recent, US-imposed textile quotas.

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The Government of the Republic of Maldives (GORM) maintains an international bargaining power denied to most small and poverty-stricken states. Astride major shipping lanes, this island nation offers natural sites for air bases and naval facilities in the protected anchorages of its atolls. The former military airfield on its southernmost island, Gan (about 300 miles from the US military facility on Diego Garcia), could provide a military airbase and deep sea harbors to any power hoping to dominate the Indian Ocean.

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This memorandum was prepared by South Asia Division, Office of Near East/South Asia Analysis. Information as of 15 February 1983 was used in preparation of this paper. Comments and questions are welcome and should be addressed to Chief, South Asia Division,

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President Gayoom is trying to nudge his island republic into the modern world with new economic and social development programs. With such reforms, the economy has prospered but still depends on foreign financing for major projects. The Maldives has a generally neutral foreign policy but tends to tilt westward when seeking aid.

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Foreign Relations

The Maldives has gained acceptance as a sovereign country and maintains an important moderate position as a member of the Non-Aligned Movement and the Islamic Conference. It uses its membership as a method of gaining outside contacts and, hopefully, financial contributions.

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Since independence, India and Sri Lanka have played key roles in the Maldives' economy and foreign relations. Until recently, all transportation links to the outside world were through Sri Lanka, and Colombo was Male's major trading partner. Since the early 1970s, the Maldives have considerably broadened its trading relationships. India undoubtedly would object to any outside power gaining a foothold in the Maldives, even though it has expressed no designs of its own on Gan, because in New Delhi's view the islands lie within the Indian security perimeter.

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Financial assistance for the Maldives (estimated at US \$5.8 million in 1979 by the Asian Development Bank) also has been offered by other, mostly Middle Eastern countries. Foreign investment in textiles and tourism is attracted by the tax free status of its capital, Male, the absence of foreign exchange controls, and freedom to transfer profits abroad. Foreign assistance has included the establishment of an Institute of Islamic Studies by the Saudis and an impressive new airport and terminal building in the Male atoll at Hulele financed by eight countries and international agencies including Kuwait, Saudi Arabia, and India. Financial help has also come from West Germany, Japan, and Australia.

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The Libyans have freely offered aid to the Maldivians as their Islamic brothers. Given the close religious bond, the Maldivians have not considered acceptance of Libyan aid as a threat to maintaining their own nonaligned policy. According to the US Embassy in Colombo, such aid has included the donation of a secondary school in Male, two floating hospitals, and training for the National Security Service (NSS) which is responsible for the Maldives' internal and national security.

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The Soviets also have tried to enhance their profile in the Maldives. The GORM signed a scientific and cultural agreement with the USSR in 1980, and the Soviet Union is also active in health assistance for the Maldives. Additionally, a Maldivian Government official has reported a Soviet/Maldivian agreement to

initiate civil air service between Moscow and the Maldives on a regular basis. The agreement, signed in February 1983, calls for one Aeroflot flight per week from Moscow to Male. [redacted]

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The Maldives has been careful to maintain its nonaligned status. Like Sri Lanka, it has sought to balance the visits of foreign naval combatants, such as those of the US, the USSR, and Indian Ocean littoral nations. This policy provides credibility in nonalignment while providing a valuable source of foreign exchange. [redacted]

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Gan Island Developments

Strict adherence to nonalignment precludes Male from using the former British air base at Gan Island as a bargaining chip, despite the Maldives' interest in economic assistance. Development of Gan's airbase and anchorages could allow a superpower gaining their control to assume a pre-eminent position in and over the Indian Ocean. Gan was used by the British during World War II and again between the mid-1950s and 1976. At its height of activity, the base employed 1,200 island workers, many of them skilled or semiskilled. [redacted]

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Following the British withdrawal, the GORM reported the Soviets made an offer to lease the island for one million dollars a year for use of its anchorages and the former military airfield. Despite the persistent Maldivian refusals, the Soviets reportedly have made two additional offers in 1982 for use of Gan as a fishing base. [redacted]

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In July 1981 Gayoom announced plans to develop Gan Island as a free-trade industrial zone and tourist center. To date, Gan has attracted only two garment factories established by Hong Kong-based firms which produce clothing to be marketed in the US, and the island is under consideration for a refinery and oil storage complex. The tourist industry on Gan is only in early stages of development. [redacted]

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Outlook for President Gayoom

President Maumoon Abdul Gayoom took office in November 1978 after winning 98% of the vote. In order to bring about a decentralization of the administration of the Maldives and give greater autonomy to the 19 atolls, the President appointed a committee to revise the Maldives' constitution. The recommendations of the committee took effect in December 1982. Even with these changes, Gayoom appears to rule with near absolute authority, exercising wide-ranging executive, legislative and judicial powers. [redacted]

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Gayoom has committed his Government to economic reforms, such as developing the tourist industry and modernizing fishing. While the small island economy has recently prospered,

it is still very vulnerable to outside pressures, and there is evidence of growing pains (such as increased rate of crime) in this predominantly Moslem society. The efforts at modernization have not had sufficient time to yield great financial benefits for the islands, but their slow success has not darkened Gayoom's political standing.

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Although there is increasing talk of corruption in high places, Gayoom remains untouched by scandal and there is no evidence of serious internal dissatisfaction with the current government. The principal domestic event in the Maldives in recent years was an aborted coup in 1980. Gayoom suspects that former President Ibrahim Nasir was the ringleader and is constantly on the alert for any indications of a recurrence. Nasir now lives in exile, but he has rich and influential friends still on the islands and we believe he could pose a threat to Gayoom if so inclined.

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The lack of ready communication between the Maldivian islands and atolls could prevent Male from learning of coup preparations--an upheaval started on some of the lesser inhabited islands could go virtually unnoticed until it had reached a dangerous level. The NSS, responsible for the islands' internal and national security, concentrates its efforts on preventing poaching and intrusion into the Maldivian waters and on maintaining civil law and order. The total manpower strength of the NSS is approximately 700 poorly equipped men.

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The next presidential election is scheduled for the fall of 1983. The selection of Majlis members, from whom the presidential nomination will come, occurred in November 1982. While former President Nasir is a possible contender, President Gayoom will most likely win the nomination and subsequent nationwide referendum.

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ANNEX

Maldives: A Profile

The Republic of the Maldives includes nearly 1,200 tiny islands in a long, narrow chain over an area of 41,500 square miles of the Indian Ocean (the total land area is about 115 square miles). The 157,000 Maldivians are scattered over 202 islands; only 19 of which have more than 1,000 inhabitants. Male, the capital, has 29,000 crowded into one square mile.

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Nearly all the Maldivians are of Sinhalese, Dravidian, Arabic, or Negroid stocks. Their language, Dhivehi, is based on Sinhalese, Arabic and Hindustani. Almost 99 percent of the people are Muslims, a requirement of Maldivian citizenship. Koranic schools provide the only formal education for most children. The adult literacy level in Dhivehi is a high 82 percent.

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The fishing industry has traditionally dominated the Maldives' economy, but tourism (German, Italian and French) is rapidly becoming the single most important source of foreign exchange. The successful government-owned shipping industry which operates out of Bombay and Singapore, is another important source of foreign exchange. The per capita income, US \$418, generally is well distributed, although residents of Male atoll and tourist resort owners as a group receive a disproportionate share of income.

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The Maldives obtained independence from Britain in 1965. The existing Sultanate was replaced in 1968 by a Republican Constitution. The Government is now headed by a President which is nominated by the Citizens' Majlis (parliament) and confirmed by a nationwide referendum for a renewable five-year term.

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The Citizens' Majlis has 48 members, eight appointed by the President, two members elected from Male, and two from each atoll. Its members hold office for five years with three sessions held each year. In the Majlis, factions are based on personal alliances and political parties, though technically legal, do not exist.

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Wool Sweaters From The Tropics

The principal issue between GORM and US concerns US willingness to purchase wool sweaters manufactured by the Maldives' two garment factories on Gan. These factories were intended to solve the unemployment problem that the Abbu atoll residents faced following the withdrawal of the British Royal Air Force in 1977 leaving an excess of 1200 people without jobs. The small garment industry, financed by two Hong Kong-based companies, is also intended to give a boost to the Maldivian

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economy as a whole. If successful, President Gayoom planned to implement similar programs on other atolls.

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Maldivian officials deem the recent imposition of US textile quotas on the goods from these garment factories as disfavor towards their exports and a continued show of apathy towards their country. Gayoom has made tough statements to the press and to a recent conference of the Commonwealth leaders reminding the US that GORM has other options--probably referring to the Soviet offers to lease Gan--if Gan's textile industry is damaged by textile quotas.

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